

PROVINCE OF SASKATCHEWAN



2009

ANNUAL REPORT

**EXTENDED HEALTH
CARE PLAN**

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Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the fourteenth Annual Report of the
Extended Health Care Plan for the year ending December 31, 2009.

A handwritten signature in cursive script, reading "Rod Gantefer".

Rod Gantefer
Minister of Finance

The Honourable Rod Gantefer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to
transmit herewith the fourteenth Annual Report of the Extended Health Care
Plan for the year ending December 31, 2009.

A handwritten signature in cursive script, reading "Brian Smith".

Brian Smith
Ministry of Finance (PEBA)

Extended Health Care Plan

Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600 employees.

As at December 31, 2009, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Brian Smith
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Don Zerr
Public Service Commission

Will Loewen
Public Service Commission

Saskatchewan Government and General
Employees' Union (SGEU):

Tim Earing

Jack Duvall

Kirk Hogarth

Barry Nowoselsky

Canadian Union of Public Employees (CUPE),
Local No. 600:

Dave Stevenson

Participating Employers

The following employees participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union (SGEU):

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Saskatchewan Archives Board
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to employees who are members of the Canadian Union of Public Employees (CUPE), Local No. 600:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays a monthly premium to Group Medical Services on behalf of employees. The Plan's risk is limited to the payment of the monthly premium as follows under the two year contract effective January 1, 2010:

Single	\$47.21	per month
Couple	\$92.18	per month
Family	\$113.92	per month

Under the two year contract which expired December 31, 2009 the monthly premium was as follows:

Single	\$42.45	per month
Couple	\$82.88	per month
Family	\$102.33	per month

Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600 employees.

Funding for PS/GE SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective October 1, 2001, the employer will contribute 1.28% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.78% of straight time annual payroll

- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

- effective September 30, 1996 - 0.07% of straight time annual payroll;
- effective September 30, 1997 - 0.37% of straight time annual payroll;
- effective October 1, 1999 - 0.47% of straight time annual payroll;
- effective October 1, 1999 – lump sum contributions \$2 million;
- effective October 1, 2001 – lump sum contributions \$3.5 million;
- effective October 1, 2004 – lump sum contributions \$6.9 million;
- for the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert the .25% funding from the Retiree Plan to the PS/GE SGEU Benefits Plans' Surplus Fund. This amounted to \$1,013,682;
- effective August 1, 2007 to December 31, 2009 and extended to March 31, 2010, the .47% SGEU Benefit Plans' Surplus Funding is being redirected to the Public Employees Dental Plan.

Funding for CUPE 600 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.43% of straight time annual payroll
- effective December 28, 2003 to December 31, 2004, the employee contribution rates

are \$11.54 per pay period for members paid bi-weekly and \$25.00 per pay period for members paid monthly

- the employees covered by the PSC/CUPE 600 collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
 - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
 - the amount required to make up the difference between the employer's contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll;
 - effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of

straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees;

- effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll;
- effective January 1, 2005 – lump sum contributions of \$748,070.

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a six month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

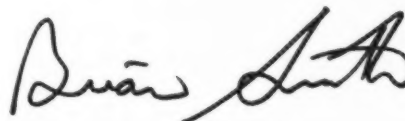
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

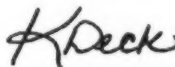
We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 17, 2010

Extended Health Care Plan

Financial Statements

Year Ended December 31, 2009

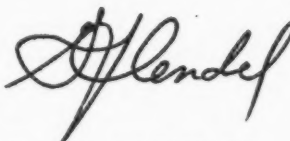
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan (Plan) as at December 31, 2009 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'F. Wendel', with a stylized flourish at the end.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
February 17, 2010

**Extended Health Care Plan
Statement of Financial Position**

Statement 1

As At December 31

	2009				2008
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
ASSETS					
Due from General Revenue Fund (Note 3)	\$ 1,610	\$4,126,553	\$363,266	\$4,491,429	\$1,277,649
Short-term investments (Note 4)	-	-	-	-	4,129,485
Employer contributions receivable	722,829	183,729	15,485	922,043	920,165
	<u>724,439</u>	<u>4,310,282</u>	<u>378,751</u>	<u>5,413,472</u>	<u>6,327,299</u>
LIABILITIES					
Liabilities:					
Accounts payable and accrued liabilities (Note 7)	18,862	184,737	-	203,599	191,175
	<u>18,862</u>	<u>184,737</u>	<u>-</u>	<u>203,599</u>	<u>191,175</u>
Net assets (Statement 2)	<u>\$705,577</u>	<u>\$4,125,545</u>	<u>\$378,751</u>	<u>\$5,209,873</u>	<u>\$ 6,136,124</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan
Statement of Operations and Net Assets**

Statement 2

For The Year Ended December 31

	2009					2008
	Budget	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
	(Note 8)					
REVENUES						
Employer contributions (Note 1)	\$12,675,000	\$9,758,541	\$2,486,080	\$196,786	\$12,441,407	\$11,848,203
Interest Income (Notes 3 & 4)	154,000	-	23,701	1,860	25,561	190,266
	12,829,000	9,758,541	2,509,781	198,646	12,466,968	12,038,469
EXPENSES						
Insurance premiums	10,700,000	10,793,581	-	-	10,793,581	10,705,091
Interest (Note 3)	15,000	2,024	-	-	2,024	11,615
Administration (Note 7)	98,553	86,534	-	-	86,534	94,604
	10,813,553	10,882,139	-	-	10,882,139	10,811,310
Surplus (Deficit) for the year before the following:	2,015,447	(1,123,598)	2,509,781	198,646	1,584,829	1,227,159
Interfund transfers (Note 1)	-	1,113,500	(925,000)	(188,500)	-	-
Transfer to PEDF (Note 1)	(550,000)	-	(2,486,080)	(25,000)	(2,511,080)	(2,366,902)
(Deficit) Surplus for the year	1,465,447	(10,098)	(901,299)	(14,854)	(926,251)	(1,139,743)
NET ASSETS, BEGINNING OF YEAR	6,136,124	715,675	5,026,844	393,605	6,136,124	7,275,867
NET ASSETS, END OF YEAR (Statement 1)	\$7,601,571	\$705,577	\$4,125,545	\$378,751	\$5,209,873	\$ 6,136,124

(See accompanying notes to the financial statements)

**Extended Health Care Plan
Statement of Cash Flows**

Statement 3

For The Year Ended December 31

	2009				2008
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash flows from (used in) operating activities:					
Employer contributions received	\$ 9,757,025	\$ -	\$ 196,857	\$9,953,882	\$ 9,439,983
PS/GE SGEU Surplus Funds received on behalf of the Dental Fund	-	2,485,647	-	2,485,647	2,356,593
PS/GE SGEU Surplus Fund paid to the Dental Fund	-	(2,484,772)	-	(2,484,772)	(2,531,365)
Interest (paid) received	(2,024)	52,254	3,682	53,912	205,086
Insurance premiums paid	(10,794,082)	-	-	(10,794,082)	(10,704,199)
Advance repaid to GRF (Note 5)	-	-	-	-	(275,000)
Administration expense paid	(74,917)	-	-	(74,917)	(99,369)
Cash flows from (used in) operating activities	(1,113,998)	53,129	200,539	(860,330)	(1,608,271)
Cash flows from (used in) investing activities:					
Purchase of investments	-	-	-	-	(19,746,129)
Proceeds from disposal of investments	-	3,853,163	245,947	4,099,110	21,509,140
Cash flows from (used in) investing activities	-	3,853,163	245,947	4,099,110	1,763,011
Net (decrease) increase due from General Revenue Fund	(1,113,998)	3,906,292	446,486	3,238,780	154,740
Interfund transfers (Note 1)	1,113,500	(925,000)	(188,500)	-	-
Transfer to PEDF (Note 1)	-	-	(25,000)	(25,000)	-
	(498)	2,981,292	232,986	3,213,780	154,740
Due from General Revenue Fund, Beginning of year	2,108	1,145,261	130,280	1,277,649	1,122,909
Due from General Revenue Fund, end of year	\$ 1,610	\$4,126,553	\$ 363,266	4,491,429	\$ 1,277,649

(See accompanying notes to the financial statements)

Extended Health Care Plan Notes to the Financial Statements

December 31, 2009

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.78% of regular payroll for PS/GE SGEU and 1.43% of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan pays premiums for eligible employees to the insurance company as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47% of regular payroll of PS/GE SGEU members
- 0.82% of regular payroll of CUPE members

The purpose of the Surplus Funds is to offset cost increases arising from extended health care benefits and future dental plan enhancements. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

The Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with the insurance company. Accordingly, PEBA transferred to the Extended Health Care Fund \$925,000 (2008 - \$1,325,000) and \$188,500 (2008 - \$211,000) from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund respectively.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating SGEU and CUPE members to December 31, 2009. Accordingly, PEBA transferred \$0 (2008 - \$0) from the PS/GE SGEU Benefit Plans' Surplus Fund and \$25,000 (2008 - \$0) from the CUPE Benefit Plans' Surplus Fund to the PEDF. In addition, the Board authorized that PS/GE SGEU Benefit Plans' Surplus funding of .47% be redirected to the PEDF for the period August 1, 2007 to December 31, 2008 and during the year was extended to March 31, 2010. This amounted to \$2,486,080 during 2009 (2008 - \$2,356,593).

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Advance from General Revenue Fund

The advance was repayable on demand and was repaid to the General Revenue Fund during 2008.

d) Financial Instruments

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

e) Future Accounting Policy Changes

Effective January 1, 2011, the Canadian generally accepted accounting principles used by the Plan will no longer be available. Accordingly, the Plan will be assessing the most appropriate basis of accounting for its circumstances.

3. Due from General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2009 was 0.47% (2008 – 2.57%).

4. Short-Term Investments

No short-term investments were held as at December 31, 2009. As at December 31, 2008, short-term investments were comprised of T-Bills, notes and commercial paper with effective interest rates of 3.2% and a remaining term to maturity of 7 days. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance was repaid during 2008. The advance was interest-free with no fixed maturity date and was repayable on demand.

6. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	<u>2009</u>	<u>2008</u>
Due from General Revenue Fund	\$4,491,429	\$1,277,649
Short-term investments	-	4,129,485
Employer contributions receivable	922,043	920,165

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short-term to maturity.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2009, PEBA charged the Plan \$86,534 (2008 - \$94,604) for administration expenses. Included in accounts payable and accrued liabilities is \$14,117 (2008 - \$2,500) due to PEBA and \$184,737 (2008 - \$183,429) payable to the Public Employees Dental Fund.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.

